

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type [x] City [] Township [] Village [] Other		Local Government Name Traverse City Light and Power	County Grand Traverse
Audit Date June 30, 2005	Opinion Date October 28, 2005	Date Accountant Report Submitted to State: December 30, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

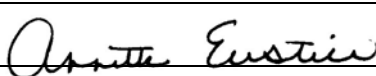
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | | | | |
|-----|-----|-----|----|---|
| [] | Yes | [X] | No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| [] | Yes | [X] | No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| [] | Yes | [X] | No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| [] | Yes | [X] | No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| [] | Yes | [X] | No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| [] | Yes | [X] | No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| [] | Yes | [X] | No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| [] | Yes | [X] | No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| [] | Yes | [X] | No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON ANNETTE EUSTICE, CPA, CGFM			
Street Address 250 EAST FRONT STREET	City TRAVERSE CITY	State MI	Zip 49684
Accountant Signature 			

Traverse City Light and Power

**(A Component Unit of the
City of Traverse City, Michigan)**

Financial Statements

**For the Fiscal Year Ended
June 30, 2005**

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

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REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

INDEPENDENT AUDITORS' REPORT

October 28, 2005

Honorable Chairman and Members
Light and Power Board
Traverse City, Michigan

We have audited the accompanying financial statements of **Traverse City Light and Power** (a component unit of the City of Traverse City, Michigan) (the "Department") as of and for the years ended June 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Traverse City Light and Power** at June 30, 2005 and 2004, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements of **Traverse City Light and Power**. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, are fairly presented in all material respects in relation to the financial statements taken as a whole.

MANAGEMENT'S DISCUSSION AND ANALYSIS

TRAVERSE CITY LIGHT AND POWER

Management's Discussion and Analysis

As management of the *Traverse City Light and Power* (the "Department"), we offer readers of the Department's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

GASB 34 financial statement presentation

This year's financial statements and accompanying notes follow the direction of the Governmental Accounting Standards Board (GASB) from their Statement No. 34. GASB is charged with developing "generally accepted accounting principles" (GAAP) for governmental entities and is the ultimate authority on GAAP for state and local governments.

Other highlights:

1. The Department completed 90% of the demolition of the Bayside power plant. The newer portion of the facility was dismantled and sold to Azucarera la Grecia for \$450,000.
2. The Department experienced a significant increase in purchased power expenses in the last half of the year. These expenses were primarily due to the impact of MISO, SECA and other deregulation changes.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Department's financial statements. The Department's basic financial statements comprise three components:

1. Fund financial statements
2. Notes to the financial statements, and
3. Supplementary information.

Fund Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the Department is accounted for in a proprietary fund (Enterprise Fund).

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing electrical services to customers. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The demolition/dismantling of the Bayside power plant was considered a non-operating expense in 2005.

The *Balance Sheets* presents information on all of the Department's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Assets* present information showing how the Department's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

Both of the financial statements distinguish the function of the Department, which is principally supported by charges for providing electrical services to customers of Traverse City. The financial statements include only the Department itself. The Department has no legally separate component units for which the Department is financially accountable.

The Department adopts an annual appropriated budget for its fund. A budgetary comparison schedule has been provided herein to demonstrate compliance with that budget.

The Department does not maintain fiduciary funds.

The financial statements can be found on pages 7 through 9 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the Department's financial statements. The notes to the financial statements can be found on pages 10 through 20 of this report.

Other information. In addition to the financial statements and accompanying notes, this report also presents certain *supplementary information*. Along with this required management discussion and analysis, other supplementary information can be found on pages 21 through 27 of this report.

The Department's Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Department, assets exceeded liabilities by approximately \$53,000,000 at the close of the most recent fiscal year, June 30, 2005.

By far, the largest portion of net assets for the Department is its investment in capital assets (primarily, land, construction in progress, building, distribution system and equipment), less any related debt that is still outstanding. The Department uses these capital assets to provide services to customers. Although the Department investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The bulk of the remaining portion of the Department net assets is unrestricted and available for Department activity.

Traverse City Light and Power

	June 30	
	2005	2004
Business-type Activities		
Current and other assets	\$ 22,294,814	\$ 21,720,365
Capital assets	<u>34,577,565</u>	<u>33,788,763</u>
Total assets	56,872,379	55,509,128
Long-term liabilities outstanding	338,948	633,601
Other liabilities	<u>3,580,193</u>	<u>2,546,421</u>
Total liabilities	3,919,141	3,180,022
Net assets		
Invested in capital assets, net of unrelated debt	34,267,565	33,183,763
Restricted assets – debt service	5,346	340,515
Unrestricted	<u>18,680,327</u>	<u>18,804,828</u>
Total net assets	<u>\$ 52,953,238</u>	<u>\$ 52,329,106</u>

Traverse City Light and Power Changes in Net Assets

	June 30	
	2005	2004
Business-type Activities		
Revenue		
Operating revenue		
Charges for services	\$ 23,130,646	\$ 22,219,725
Other	237,402	498,212
Nonoperating revenue		
Reimbursement	1,232,391	162,824
Rental income	14,299	14,299
Interest earned	<u>531,420</u>	<u>313,120</u>
Total revenue	<u>25,146,158</u>	<u>23,208,180</u>
Expenses		
Operating expenses	23,384,714	21,453,250
Nonoperating expenses		
Loss on sale of capital assets	1,121,812	-
Interest expense and fiscal charges	<u>15,500</u>	<u>29,808</u>
Total expenses	<u>24,522,026</u>	<u>21,483,058</u>
Increase in net assets	624,132	1,725,122
Net assets – beginning of year	<u>52,329,106</u>	<u>50,603,984</u>
Net assets – end of year	<u>\$ 52,953,238</u>	<u>\$ 52,329,106</u>

Business-type activities

The overall financial position of the Department remained strong in 2004 - 2005. The Department continued to monitor its rate structure and evaluate its expenses in view of the new deregulation market. The Department's debt remains to be minimal.

Revenue

In 2004 – 2005, revenue increased due to an increase in the number of customers and a restructuring of our rate classes. We also recorded a transfer of funds from the MPPA trust fund in the amount of \$1,993,540. This transfer was reported as reimbursements and unearned revenue.

Expenses

In fiscal 2005, operating expenses increased approximately \$902,000 from fiscal 2004. The primary increases was as a result of the increased cost associated with purchased power and the deregulating market.

Capital Asset and Debt Administration

Traverse City Light and Power Capital Assets (net of depreciation)

	June 30	
	2005	2004
Land	\$ 843,173	\$ 843,173
Construction in progress	3,760,028	1,579,283
Buildings and improvements	3,690,554	6,267,530
Equipment and distribution system	42,014,493	48,003,747
Accumulated depreciation	<u>(15,730,683)</u>	<u>(22,904,970)</u>
Total	<u>\$ 34,577,565</u>	<u>\$ 33,788,763</u>

Additional information on the Department's capital assets can be found in Note 5 on pages 15 through 16 of this report.

Long-term debt consisted of a revenue refunding bond; as of fiscal year end there was an outstanding balance of \$310,000. Additional information can be found in Note 6 on pages 16 through 17 of this report.

Economic Factors and Next Year's Budgets and Rates

The economic climate for 2005-2006 will continue to be a challenge due to the deregulating market and conditions that will evolve out of the Department's control. The MPPA trust fund money received at the end of fiscal 2005 has been set aside and earmarked for special projects which includes rate stabilization. We are not anticipating a rate change to be effective during the 2005-2006 fiscal year and will offset any rate deficits from this fund.

Our economic outlook continues to be strong and our 2005-2006 budget reflects an operating gain and our ability to weather any unforeseen financial aberrations that may arise.

Requests for Information

This financial report is designed to provide a general overview of the Department's finances for all those with an interest in the finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Greg Pierce, Deputy Director, Traverse City Light and Power, 1131 Hastings Street, Traverse City, MI 49686.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

BALANCE SHEETS

ASSETS	June 30,	
	2005	2004
Current assets		
Cash and cash equivalents	\$ 4,966,882	\$ 4,382,900
Investments	11,911,707	10,815,289
Receivables		
Customer, less allowances of \$51,172 and \$47,162 respectively, for uncollectible accounts	3,196,467	2,431,759
Accrued interest	41,808	3,335
Taxes	-	1,950
Other	79,326	31,356
Inventories	776,322	700,150
Prepaid expenses	13,263	16,307
Total current assets	20,985,775	18,383,046
Restricted assets , including cash and cash equivalents of \$323,096 and \$320,544, respectively	323,096	650,419
Long-term assets		
Long-term advances - due from primary government	951,907	2,618,830
Deferred charges	34,036	68,070
Land	843,173	843,173
Construction in progress	3,760,028	1,579,283
Capital assets, net	29,974,364	31,366,307
Total long-term assets	35,563,508	36,475,663
Total assets	\$ 56,872,379	\$ 55,509,128

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS	June 30,	
	2005	2004
Current liabilities		
Accounts payable	\$ 1,768,617	\$ 1,669,249
Accrued expenses and other liabilities	375,892	352,871
Current portion of accrued compensated absences	-	17,702
Due to primary government	198,373	196,695
Unearned revenue	919,561	-
Total current liabilities	3,262,443	2,236,517
Liabilities payable from restricted assets		
Current portion of long-term debt	310,000	295,000
Accrued interest payable	7,750	14,904
Total liabilities payable from restricted assets	317,750	309,904
Long-term liabilities		
Long-term debt, less current portion	-	310,000
Compensated absences	338,948	323,601
Total long-term liabilities	338,948	633,601
Total liabilities	3,919,141	3,180,022
Net assets		
Invested in capital assets, net of related debt	34,267,565	33,183,763
Restricted assets - debt service	5,346	340,515
Unrestricted	18,680,327	18,804,828
Total net assets	52,953,238	52,329,106
Total liabilities and net assets	\$ 56,872,379	\$ 55,509,128

The accompanying notes are an integral part of these financial statements.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended June 30,	
	2005	2004
Operating revenues		
Charges for services	\$ 23,130,646	\$ 22,219,725
Other	237,402	498,212
Total operating revenues	23,368,048	22,717,937
Operating expenses		
Personnel	3,467,134	3,211,437
Contractual services	626,918	867,482
Repairs and maintenance	166,993	93,855
Office supplies, insurance and other	272,500	309,128
Operating supplies	14,952,051	14,025,914
Rentals	181,459	166,836
Utilities	98,976	93,699
City fee	1,158,373	1,156,695
Depreciation and amortization	1,430,894	1,528,204
Total operating expenses	22,355,298	21,453,250
Operating income	1,012,750	1,264,687
Non-operating revenues (expenses)		
Interest income	531,420	313,120
Loss on sale of capital assets	(1,121,812)	-
Rental income	14,299	14,299
Reimbursement	1,232,391	162,824
Interest expense and financial charges	(15,500)	(29,808)
Total non-operating revenues	640,798	460,435
Income before special item expense	1,653,548	1,725,122
Special item expense		
Plant decommissioning	1,029,416	-
Change in net assets	624,132	1,725,122
Net assets, beginning of year	52,329,106	50,603,984
Net assets, end of year	\$ 52,953,238	\$ 52,329,106

The accompanying notes are an integral part of these financial statements.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2005	2004
Cash flows from operating activities		
Cash received from customers	\$ 23,476,881	\$ 22,662,285
Cash payments to employees	(3,446,468)	(3,203,141)
Cash payments to suppliers for goods and services	(17,302,073)	(15,912,916)
Cash payments for payment in lieu of tax	(1,156,695)	(1,048,355)
Net cash provided by operating activities	1,571,645	2,497,873
Cash flows from non-capital financing activities		
Long-term advance to primary government	1,666,923	23,943
Rental income	14,299	14,299
Reimbursement	1,232,391	162,824
Net cash provided by non-capital financing activities	2,913,613	201,066
Cash flows from capital and related financing activities		
Purchase of capital assets	(3,752,295)	(2,187,996)
Note principal payments	(295,000)	(280,000)
Note interest payments	(22,654)	(36,388)
Proceeds from sale of capital assets	444,820	-
Net cash used in capital and related financing activities	(3,625,129)	(2,504,384)
Cash flows from investing activities		
Purchase of investments	(766,542)	(3,805,532)
Investment income	492,947	354,612
Net cash used in investing activities	(273,595)	(3,450,920)
Net increase (decrease) in cash and cash equivalents	586,534	(3,256,365)
Cash and cash equivalents, beginning of year	4,703,444	7,959,809
Cash and cash equivalents, end of year	\$ 5,289,978	\$ 4,703,444
Balance Sheet Reconciliation		
Cash and cash equivalents	\$ 4,966,882	\$ 4,382,900
Restricted assets-cash equivalents	323,096	320,544
	\$ 5,289,978	\$ 4,703,444

The accompanying notes are an integral part of these financial statements.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2005	2004
Cash flows from operating activities		
Operating income	\$ 1,012,750	\$ 1,264,687
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	1,430,894	1,528,204
Plant decommissioning	(1,029,416)	-
Changes in operating assets and liabilities which (used) provided cash		
Receivables	(810,728)	(55,652)
Inventories	(76,172)	(12,085)
Prepaid expenses	3,044	5,381
Accounts payable	99,368	(349,298)
Accrued expenses and other liabilities	23,021	13,302
Due to other governments	1,678	108,340
Unearned revenue	919,561	-
Compensated absences	(2,355)	(5,006)
Net cash provided by operating activities	\$ 1,571,645	\$ 2,497,873

The accompanying notes are an integral part of these financial statements.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

Organization

Under provisions of the City of Traverse City (the “City”) Charter, the Light and Power Board (the “Board”) was created having jurisdiction and control of *Traverse City Light and Power* (the “Department”). The Board consists of seven members (two of which are City commissioners) and one ex-officio member (the City Manager). The Department’s annual budget is approved by the City Commission. The Department is required to pay 5% of its gross revenue annually to the City’s General Fund for payment in lieu of taxes. For fiscal 2005 and 2004, transfers of \$1,158,373 and \$1,156,595, respectively, were made to the City.

The Department is a discrete component unit of the City because the City appoints the Department’s Board of Directors, it has the ability to significantly influence the Department’s operations and it is financially accountable for the Department as defined under GASB Statement No. 14, *The Financial Reporting Entity*. Accordingly, the Department is presented as a discrete component unit in the City’s financial statements and is an integral part of that reporting entity.

Basis of Accounting

The Department uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Department considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are stated at fair value. For fair value, securities traded on a national exchange are valued at the last reported sales price at current exchange rates. The change in fair value of the investments from the beginning of the year to the end of the year is reported in the “Non-operating revenues (expenses)” section of the Statements of Revenues, Expenses and Changes in Net Assets”.

Inventories

Inventories are valued at cost (first-in, first-out), not in excess of market. Expenditures for maintenance and office supplies are charged to expenses upon purchase.

Deferred Charges

Deferred charges represent costs incurred in refinancing bonds in 1993 and are being amortized over the life of the bond issue.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated lives of the related assets as follows:

	<u>Years</u>
Buildings and structures	20-50
Power production equipment and distribution system	5-50

Compensated Absences

Compensated absences consist of accumulated unpaid vacation, short-term leave and sick pay. Accumulated unpaid vacation and short-term leave are accrued when earned and sick pay is accrued up to a maximum when it is probable that the benefit will be paid to the employee, in accordance with Governmental Accounting Standards Board Statement No. 16 - *Accounting for Compensated Absences*.

Operating Revenue versus Non-Operating Revenue

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Department, are charges to customers for sales and services. Operating expenses for the Department include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

GASB 20

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Department has elected not to follow subsequent private-sector guidance.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

Budgetary Information

The General and special revenue funds are under formal budgetary control and their budgets are prepared on the same modified accrual basis used to reflect actual results. The Department follows the City budget process in establishing the budgetary data reflected in the financial statements:

- The Department submits a proposed budget to the City Manager. After review and approval, the City Manager submits a recommended operating budget to the City Commission. Public hearings are held to obtain taxpayer comments. The budget is legally adopted through a City Commission resolution prior to the beginning of the budgetary year for the Department's funds. The budget is then adopted by the Department's Board.
- The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted or amended by the City Commission during the year. Individual amendments were not material in relation to the original appropriations.

2. CASH DEPOSITS AND INVESTMENTS

The Department's cash and cash equivalents, investments and restricted assets at June 30, 2005 and 2004 are composed of the following:

<u>June 30, 2005</u>	<u>Cash and cash Equivalents</u>	<u>Investments</u>	<u>Restricted Assets</u>	<u>Totals</u>
Deposits	\$ 4,762,046	\$ 2,502,596	\$ 323,096	\$ 7,587,738
Investments	204,436	9,409,111	-	9,613,547
Petty cash	<u>400</u>	<u>-</u>	<u>-</u>	<u>400</u>
Total	<u>\$ 4,966,882</u>	<u>\$ 11,911,707</u>	<u>\$ 323,096</u>	<u>\$ 17,201,685</u>
<u>June 30, 2004</u>	<u>Cash and cash Equivalents</u>	<u>Investments</u>	<u>Restricted Assets</u>	<u>Totals</u>
Deposits	\$ 4,181,087	\$ 1,502,548	\$ 320,544	\$ 6,004,179
Investments	201,363	9,312,741	329,875	9,843,979
Petty cash	<u>450</u>	<u>-</u>	<u>-</u>	<u>450</u>
Total	<u>\$ 4,382,900</u>	<u>\$ 10,815,289</u>	<u>\$ 650,419</u>	<u>\$ 15,848,608</u>

Deposits consist of various interest bearing cash accounts and certificates of deposit, held by the City Treasurer. The insured and uninsured bank balances for the Department deposits are not available as these deposits are held in pools with other City funds.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

The Department is authorized by Michigan Public Act 196 of 1998 and Public Act 20 of 1943 to invest surplus monies in U.S. bonds and notes, certain commercial paper, mutual funds and investment pools that are composed of authorized investment vehicles.

The City chooses to disclose its investments by specifically identifying each. As of year-end, the City had the following investments.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Federal home loan bond	02/20/2009	\$ 199,500	AAA
Federal home loan bond	05/21/2007	246,173	AAA
Federal home loan bond	12/29/2006	293,814	AAA
Federal home loan bond	05/12/2009	199,188	AAA
Federal home loan bond	08/08/2007	299,718	AAA
Federal home loan bond	11/17/2006	298,314	AAA
US treasury note	08/15/2008	691,278	AAA
US treasury note	09/15/2008	491,525	AAA
US treasury note	11/15/2006	493,420	AAA
US treasury note	09/15/2008	98,305	AAA
US treasury note	05/31/2006	990,740	AAA
US treasury note	05/15/2007	990,550	AAA
US treasury note	06/15/2009	1,010,780	AAA
US treasury note	05/15/2008	1,002,190	AAA
US treasury note	06/30/2006	992,300	AAA
US treasury note	04/15/2009	97,996	AAA
US treasury note	05/15/2007	1,013,320	AAA
Investment sweep	N/A	204,436	N/A
		<u>\$ 9,613,547</u>	

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year-end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. The insured and uninsured bank balances for the Department deposits are not available as these deposits are held in pools with other City funds.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. Of the above \$9,613,547 of investments, the City has a custodial credit risk exposure of \$9,613,547 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified above. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. More than 5% of the Department's investments are in US treasury notes. These investments are 80% of the Department's total investments.

3. INVENTORIES

Inventories in the amount of \$776,322 and \$700,150, at June 30, 2005 and 2004, respectively, consist of materials and supplies.

4. RESTRICTED ASSETS

The Department accounts for its operations and maintenance activities, including the funding of reserves, as required by the bond ordinances and other authorities. The Department's restricted assets consist of the following at June 30:

	<u>2005</u>	<u>2004</u>
Bond reserve account	\$ -	\$ 329,875
Bond and interest redemption	<u>323,096</u>	<u>320,544</u>
Total	<u>\$ 323,096</u>	<u>\$ 650,419</u>

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

5. CAPITAL ASSETS

At June 30, 2005 capital assets consist of the following

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated – land	\$ 843,173	\$ -	\$ -	\$ 843,173
Construction in progress	<u>1,579,283</u>	<u>2,180,745</u>	<u>-</u>	<u>3,760,028</u>
Total capital assets not being depreciated	<u>2,422,456</u>	<u>2,180,745</u>	<u>-</u>	<u>4,603,201</u>
Capital assets being depreciated				
Buildings and improvements	6,267,530	23,516	(2,600,492)	3,690,554
Equipment and distribution system	<u>48,003,747</u>	<u>1,548,034</u>	<u>(7,537,288)</u>	<u>42,014,493</u>
Total capital assets being depreciated	<u>54,271,277</u>	<u>1,571,550</u>	<u>(10,137,780)</u>	<u>45,705,047</u>
Less accumulated depreciation for				
Buildings and improvements	(2,265,951)	(127,031)	2,114,818	(278,164)
Equipment and distribution system	<u>(20,639,019)</u>	<u>(1,269,829)</u>	<u>6,456,329</u>	<u>(15,452,519)</u>
Total accumulated depreciation	<u>(22,904,970)</u>	<u>(1,396,860)</u>	<u>8,571,147</u>	<u>(15,730,683)</u>
Total capital assets being depreciated, net	<u>31,366,307</u>	<u>174,690</u>	<u>(1,566,633)</u>	<u>29,974,364</u>
Business-type activities capital assets, net	<u>\$ 33,788,763</u>	<u>\$ 2,355,435</u>	<u>\$ (1,566,633)</u>	<u>\$34,577,565</u>

At June 30, 2004 capital assets consist of the following

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated – land	\$ 843,278	\$ -	\$ (105)	\$ 843,173
Construction in progress	<u>917,110</u>	<u>2,158,891</u>	<u>(1,496,718)</u>	<u>1,579,283</u>
Total capital assets not being depreciated	<u>1,760,388</u>	<u>2,158,891</u>	<u>(1,496,823)</u>	<u>2,422,456</u>

TRAVERSE CITY LIGHT AND POWER

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NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being Depreciated				
Buildings and improvements	6,213,049	54,481	-	6,267,530
Equipment and distribution system	<u>46,532,300</u>	<u>1,475,947</u>	<u>(4,500)</u>	<u>48,003,747</u>
Total capital assets being depreciated	<u>52,745,349</u>	<u>1,530,428</u>	<u>(4,500)</u>	<u>54,271,277</u>
Less accumulated depreciation for				
Buildings and improvements	(2,121,914)	(144,037)	-	(2,265,951)
Equipment and distribution system	<u>(19,288,886)</u>	<u>(1,350,133)</u>	<u>-</u>	<u>(20,639,019)</u>
Total accumulated depreciation	<u>(21,410,800)</u>	<u>(1,494,170)</u>	<u>-</u>	<u>(22,904,970)</u>
Total capital assets being depreciated, net	<u>31,334,549</u>	<u>36,258</u>	<u>(4,500)</u>	<u>31,366,307</u>
Business-type activities capital assets, net	<u>\$ 33,094,937</u>	<u>\$ 2,195,149</u>	<u>\$ (1,501,323)</u>	<u>\$33,788,763</u>

The loss on sale of capital assets in the amount of \$1,121,812 at June 30, 2005 results from the decommissioning of the Bayside Plant. The value of the Bayside Plant after depreciation of \$1,571,812 less the proceeds received from the sale of \$450,000 amounted to the loss on sale of \$1,121,812.

6. LONG-TERM DEBT

Long-term debt at June 30, 2005 consists of the following

	<u>Electric Utility System Revenue Refunding Bonds</u>	<u>Compensated Absences</u>
Beginning Balance, July 1, 2004	\$ 605,000	\$ 341,303
Additions	-	-
Reductions	<u>(295,000)</u>	<u>(2,355)</u>
Ending Balance, June 30, 2005	<u>\$ 310,000</u>	<u>\$ 338,948</u>
Due within one year	<u>\$ 310,000</u>	<u>\$ -</u>

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

Long-term debt at June 30 2004, consists of the following

	Electric Utility System Revenue Refunding Bonds	Compensated Absences
Beginning Balance, July 1, 2003	\$ 885,000	\$ 346,309
Additions	-	-
Reductions	<u>(280,000)</u>	<u>(5,006)</u>
Ending Balance, June 30, 2004	<u>\$ 605,000</u>	<u>\$ 341,303</u>
Due within one year	<u>\$ 295,000</u>	<u>\$ 17,702</u>

The original issue of Electric Utility System Revenue Refunding Bonds was \$2,420,000 in 1993, with principal due in annual installments of \$20,000 to \$310,000 through July 2005, and interest at 3.10% to 5% payable semi-annually.

In 1986, the Department defeased Series 1984 revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the Department's financial statements. At June 30, 2005 and 2004, \$625,000 and \$900,000, respectively, of the Series 1984 bonds outstanding are considered defeased.

7. POWER SUPPLY PURCHASE

The Department along with other Michigan municipal utilities, is a member of the Michigan Public Power Agency ("MPPA"). The agency was formed to acquire interests in certain electric generating plants and related transmission lines. MPPA has acquired a 4.8% undivided interest in the Consumers Power Company Campbell 3 plant and an 18.61% undivided interest in the Detroit Edison Company Belle River project, and 75.9% undivided interest in the Combustion Turbine project.

In 1983, the Department entered into a 35 year power supply and project support contract with MPPA. Under the agreement, *Traverse City Light and Power* will purchase 26.35% of the energy generated by the Campbell 3 plant and 4.53% of the energy generated by the Belle River plant.

For the years ended June 30, 2005 and 2004, *Traverse City Light and Power* recognized expenses totaling \$14,318,421 and \$9,820,828, respectively, to purchase power under the terms of the contract. The price of the power was calculated on a basis, as specified in the contract, to enable MPPA to recover its production, transmission and debt service costs.

TRAVERSE CITY LIGHT AND POWER

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Under the terms of the contract, the Department must make minimum annual payments to cover their share of annual debt service requirements and fixed operation costs of the Campbell 3, Belle River, and Combustion Turbine projects (based on the percentage of power purchased). The estimated total annual debt payments (assuming no early calls or refinancing of existing revenue bonds) are as follows:

Year Ended December 31	Principal	Interest	Total
2006	\$ 2,002,074	\$ 2,161,228	\$ 4,163,302
2007	2,100,144	2,064,643	4,164,787
2008	2,203,788	1,963,899	4,167,687
2009	2,313,742	1,851,640	4,165,382
2010	2,249,546	1,734,726	3,984,272
2011-2015	11,346,176	6,997,213	18,343,389
2016-2020	9,197,513	4,225,540	13,423,053
2021-2025	7,521,690	2,167,306	9,688,996
2026-2027	3,590,070	285,108	3,875,178
	<u>\$ 42,524,743</u>	<u>\$ 23,451,303</u>	<u>\$ 65,976,046</u>

8. SPECIAL ITEM

During the fiscal year the Department decommissioned the Bayside Plant. As a result, the Department incurred expenses in the amount of \$1,029,416 and has been recorded as a special item due to the project being under management's control and infrequent in nature.

9. RETIREMENT PLAN

Through the City, the Department participates in the Municipal Employees' Retirement System, a defined benefit plan that covers substantially all employees. Annual contributions to the plan are based on actuarial studies performed annually. The Department's contributions to the plan during the years ended June 30, 2005 and 2004 were \$429,017 and \$345,602 respectively. The disclosure requirements of the Governmental Accounting Standards Board Statement Number 27 are outlined in the City's Financial Statements.

10. COMMITMENTS

In September 1994, the Department purchased \$840,000 of distribution facilities located within the City of Traverse City from Consumers Power Company ("Consumers"). The purchase was made in connection with the settlement of litigation initiated by the Department against Consumers. The purchase was completed under the auspices of the Michigan Public Service Commission and approved by the Department Board. The Department will take possession of these facilities in three stages: one-third in September, 1994; one-third in September, 2004; and one-third in September, 2014.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

Construction

During 2005, the Department entered into the following contracts:

Waukesha Electric Systems for the installation of a power transformer in the amount of \$353,900. No project costs were expended through June 30, 2005. The project is expected to be completed during fiscal 2006.

Hydaker-Wheatlake Company for the installation of a substation in the amount of \$891,222. Project costs through June 30, 2005 were \$563,320. Total remaining estimated cost is \$327,902. The project is expected to be completed during fiscal 2006.

Property

During fiscal 2004, the Department entered into an agreement to lease various parcels of property that requires annual rental payments of \$1. Under the lease agreement, the Department must maintain the property, carry adequate insurance and pay all assessments and property taxes. The fair value of the lease is not considered by management to be significant in any one year and, therefore, is not recorded as contribution revenue and lease expense. This lease expires July 2023.

11. CONTINGENCIES

In the normal course of its activities, the Department becomes a party in various legal actions and claims, some of which are uninsured. While the outcome of these actions and claims is not expected to have a material effect on the financial position of the Department, the Board has established a designation of \$3,014,729 and \$2,855,398 within net assets at June 30, 2005 and 2004, respectively to cover the potential impact of current and future uninsured claims.

12. RISK OF LOSS

The Department is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Department is covered for these losses through the City via the Michigan Municipal Liability and Property pool, Michigan Municipal Workers Compensation Self Insurers Fund and commercial health insurance.

TRAVERSE CITY LIGHT AND POWER
(A Component Unit of the City of Traverse City, Michigan)
NOTES TO FINANCIAL STATEMENTS

13. DESIGNATIONS OF NET ASSETS

The following are designations of unrestricted net assets established by the Board

	June 30. 2005	June 30. 2004
Maintenance contingencies	\$ 2,867,337	\$ 2,867,337
Bayside decommissioning	470,584	1,500,000
Hydro decommissioning	850,000	850,000
Emergencies	99,519	100,000
Uninsured claims	3,014,729	2,855,398
Capital expansion	<u>2,637,750</u>	<u>6,400,000</u>
Total	<u>\$ 9,939,919</u>	<u>\$ 14,572,735</u>

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TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF CAPITAL ASSETS AND DEPRECIATION FOR THE YEAR ENDED JUNE 30, 2005 (WITH COMPARATIVE NET BALANCES AT JUNE 30, 2004)

	Year Ended June 30, 2005			
	Capital Assets - Cost			
	Balance at June 30, 2004	Additions/ Transfers	Deletions/ Transfers	Balance at June 30, 2005
Land	\$ 597,537	\$ -	\$ -	\$ 597,537
Land - coal dock	245,636	-	-	245,636
Total land	843,173	-	-	843,173
Buildings				
Steam plant	1,866,905	-	1,866,905	-
Keystone plant	3,191	-	-	3,191
Brown Bridge	2,701	-	-	2,701
Distribution plant	3,640,786	22,941	-	3,663,727
Water filtration	240	-	240	-
Office structures	43,918	575	23,558	20,935
Burke coal dock	709,789	-	709,789	-
Total buildings	6,267,530	23,516	2,600,492	3,690,554
Equipment and distribution system				
Steam plant	7,544,801	-	7,544,801	-
Sabin Dam	1,442,689	-	-	1,442,689
Boardman Dam	2,630,952	-	-	2,630,952
Union St. Dam	-	24,010	-	24,010
Keystone plant	58,130	-	-	58,130
Keystone interconnect	503,445	-	-	503,445
Brown Bridge	145,372	-	-	145,372
Wind generation unit	763,860	-	-	763,860
Transmission	34,063,606	1,531,415	-	35,595,021
General	834,395	16,619	-	851,014
Coal dock	11,830	-	11,830	-
Ash pit wells	4,667	-	4,667	-
Total equipment and distribution system	48,003,747	1,572,044	7,561,298	42,014,493
Construction-in-progress	1,579,283	2,180,745	-	3,760,028
Total	\$ 56,693,733	\$ 3,776,305	\$ 10,161,790	\$ 50,308,248

Accumulated Depreciation				Capital Assets - Net	
Balance at June 30, 2004	Current Depreciation	Deletions	Balance at June 30, 2005	Balance at June 30, 2005	Balance at June 30, 2004
\$ -	\$ -	\$ -	\$ -	\$ 597,537	\$ 597,537
-	-	-	-	245,636	245,636
-	-	-	-	843,173	843,173
1,626,319	7,678	1,633,997	-	-	240,586
3,191	-	-	3,191	-	-
2,227	52	-	2,279	422	474
162,614	108,959	-	271,573	3,392,154	3,478,172
210	2	212	-	-	30
20,525	698	20,102	1,121	19,814	23,393
450,865	9,642	460,507	-	-	258,924
2,265,951	127,031	2,114,818	278,164	3,412,390	4,001,579
6,412,114	27,768	6,439,882	-	-	1,132,687
755,610	43,281	-	798,891	643,798	687,079
1,500,503	96,292	-	1,596,795	1,034,157	1,130,449
-	15,549	-	15,549	8,461	-
57,995	12	-	58,007	123	135
399,283	15,103	-	414,386	89,059	104,162
98,114	3,556	-	101,670	43,702	47,258
194,786	22,916	-	217,702	546,158	569,074
10,557,035	1,010,800	-	11,567,835	24,027,186	23,506,571
647,133	34,551	-	681,684	169,330	187,262
11,779	1	11,780	-	-	51
4,667	-	4,667	-	-	-
20,639,019	1,269,829	6,456,329	15,452,519	26,561,974	27,364,728
-	-	-	-	3,760,028	1,579,283
\$ 22,904,970	\$ 1,396,860	\$ 8,571,147	\$ 15,730,683	\$ 34,577,565	\$ 33,788,763

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2005 (WITH COMPARATIVE BALANCES AT JUNE 30, 2004)

	2005 Budget	2005 Actual	Actual Over (Under)	2004 Actual
Operating revenues - sales				
Residential	\$ 3,807,050	\$ 3,835,711	\$ 28,661	\$ 3,722,019
Commercial	11,735,500	11,638,855	(96,645)	11,056,127
Industrial	7,238,900	7,168,710	(70,190)	6,801,266
Public authority	468,550	215,487	(253,063)	368,941
Street lighting	180,250	185,808	5,558	182,922
Yard lights	89,600	86,075	(3,525)	88,450
Total operating revenues - sales	23,519,850	23,130,646	(389,204)	22,219,725
Other operating revenues				
Forfeited discounts	50,000	49,774	(226)	48,358
Merchandise and jobbing	70,000	81,247	11,247	61,619
Sale of scrap	10,000	54,085	44,085	14,873
Recovery of bad debts	1,000	627	(373)	723
Miscellaneous	50,000	51,669	1,669	372,639
Total other operating revenues	181,000	237,402	56,402	498,212
Non-operating revenues				
Interest income	450,000	531,420	81,420	313,120
Gain on sale of capital assets	-	-	-	-
Rental income	2,000	-	(2,000)	-
Reimbursement	100,000	1,232,391	1,132,391	162,824
Pole rental income	14,000	14,299	299	14,299
Total non-operating revenues	566,000	1,778,110	1,212,110	490,243
Total revenues	24,266,850	25,146,158	879,308	23,208,180

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2005 (WITH COMPARATIVE BALANCES AT JUNE 30, 2004)

	2005 Amended Budget	2005 Actual	Actual Over (Under)	2004 Actual
Generation Expense				
Operating				
Station labor	\$ 268,000	\$ 286,734	\$ 18,734	\$ 267,547
Payroll taxes and fringes	183,500	158,005	(25,495)	146,301
Campbell No. 3 power	2,805,000	3,130,284	325,284	2,996,796
Belle River No. 1 power	3,140,300	3,207,990	67,690	2,957,045
Combustion turbine	3,504,000	3,467,140	(36,860)	3,866,447
Hydro fees	52,000	83,473	31,473	81,799
Purchased power	4,404,600	4,513,008	108,408	3,423,386
Coal	-	-	-	-
Utilities				
Telephone	4,000	7,689	3,689	7,343
Water	10,000	2,559	(7,441)	21,377
Coal dock	15,000	27,966	12,966	9,175
Miscellaneous supplies	2,000	(6,743)	(8,743)	7,306
Professional development	8,000	3,947	(4,053)	6,861
Inventory adjustments	-	3,076	3,076	10,288
Total generation operating expenses	14,396,400	14,885,128	488,728	13,801,671

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2005 (WITH COMPARATIVE BALANCES AT JUNE 30, 2004)

	2005 Amended Budget	2005 Actual	Actual Over (Under)	2004 Actual
Generation Expense (continued)				
Maintenance				
Labor	\$ 278,000	\$ 325,864	\$ 47,864	\$ 268,099
Payroll taxes and fringes	119,200	137,497	18,297	108,438
Structures	-	188	188	2,342
Ash hauling	500	-	(500)	450
Coal storage	-	-	-	50
Coal dock	5,000	2,213	(2,787)	1,401
Furnaces and boilers	-	-	-	109
Boiler apparatus	-	-	-	341
Steam piping	-	-	-	262
Wind generator	12,500	2,823	(9,677)	5,896
Boardman River	6,000	12,761	6,761	5,305
Brown Bridge	92,000	19,712	(72,288)	29,151
Professional development	-	-	-	-
Prime movers - generators	-	-	-	185
Accessory electrical equipment	5,000	163	(4,837)	4,806
Auxiliary power plant equipment	13,000	54,454	41,454	89,096
Water pumps - steam plant	-	5	5	-
Small tools	3,000	3,651	651	2,327
Sabin Dam	76,500	20,628	(55,872)	10,280
Boardman Dam	115,000	64,396	(50,604)	92,980
Elk Rapids Dam	(9,500)	(19,937)	(10,437)	(12,492)
Equipment rental	27,600	32,357	4,757	27,003
Equipment fuel	5,000	8,361	3,361	6,633
Elevator	-	3,196	3,196	1,124
Miscellaneous	13,000	14,706	1,706	9,488
Total generation maintenance expense	761,800	683,038	(78,762)	653,274
Total generation expense	15,158,200	15,568,166	409,966	14,454,945

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2005 (WITH COMPARATIVE BALANCES AT JUNE 30, 2004)

	2005 Amended Budget	2005 Actual	Actual Over (Under)	2004 Actual
Distribution Expense				
Operating				
Labor	\$ 144,000	\$ 148,336	\$ 4,336	\$ 140,520
Payroll taxes and fringes	89,500	92,887	3,387	84,047
Professional development	170,000	4,093	(165,907)	47,780
Office supplies	6,500	3,694	(2,806)	7,401
Utilities	34,000	52,893	18,893	51,114
Equipment rental	75,000	67,075	(7,925)	66,825
Equipment fuel	9,000	13,926	4,926	11,006
Miscellaneous	25,000	25,086	86	23,532
Total operating expense	553,000	407,990	(145,010)	432,225
Maintenance				
Labor	940,000	979,688	39,688	982,369
Payroll taxes and fringes	421,500	503,151	81,651	436,880
Substation	38,500	48,543	10,043	70,510
Lines	218,000	188,082	(29,918)	212,221
Poles and fixtures	40,000	15,944	(24,056)	43,766
Conductors and devices	7,000	2,720	(4,280)	803
Underground cabling	28,000	58,082	30,082	35,323
Transformers and devices	25,000	9,352	(15,648)	12,933
Services	6,000	2,598	(3,402)	8,254
Meters	20,000	17,147	(2,853)	18,865
Street lighting	13,000	7,931	(5,069)	29,590
Equipment Rental	50,000	77,639	27,639	66,478
Radio equipment	5,000	1,969	(3,031)	2,512
Equipment fuel	9,500	14,224	4,724	11,144
Maintenance - building and grounds	22,400	140,476	118,076	68,959
Small tools	20,000	20,465	465	17,926
Miscellaneous	29,000	37,032	8,032	29,676
Total maintenance expense	1,892,900	2,125,043	232,143	2,048,209
Total distribution expense	2,445,900	2,533,033	87,133	2,480,434

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2005

(WITH COMPARATIVE BALANCES AT JUNE 30, 2004)

	2005 Amended Budget	2005 Actual	Actual Over (Under)	2004 Actual
Customer Accounting Expense				
Salaries	\$ 140,000	\$ 130,436	\$ (9,564)	\$ 155,740
Meter reading	76,000	86,751	10,751	71,429
Payroll taxes and fringes	81,000	77,728	(3,272)	68,054
Office supplies	2,500	2,161	(339)	2,349
Postage	30,000	26,699	(3,301)	29,350
Stationary and printing	10,000	5,681	(4,319)	6,239
Equipment rental	6,000	4,388	(1,612)	5,600
Uncollectible accounts	60,000	8,973	(51,027)	8,952
Collection expense	1,500	661	(839)	2,630
Data processing	40,000	28,552	(11,448)	30,625
Professional development	2,000	1,669	(331)	1,637
Miscellaneous	11,000	13,034	2,034	9,159
Total customer accounting expense	460,000	386,733	(73,267)	391,764
Public Service Expense				
Public service information	338,850	215,581	(123,269)	260,341

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2005 (WITH COMPARATIVE BALANCES AT JUNE 30, 2004)

	2005 Amended Budget	2005 Actual	Actual Over (Under)	2004 Actual
General Administration Expense				
Salaries	\$ 370,000	\$ 393,564	\$ 23,564	\$ 350,617
Payroll taxes and fringes	126,000	146,493	20,493	131,396
Professional development	31,000	42,539	11,539	57,941
Office supplies	7,000	9,561	2,561	9,191
Fees and dues	53,000	55,827	2,827	49,239
Special services	120,000	134,629	14,629	210,536
Legal fees	110,000	103,748	(6,252)	161,590
Telephone	5,500	7,869	2,369	4,690
Rent	-	-	-	880
Miscellaneous	6,000	6,307	307	15,229
Total general administration expense	828,500	900,537	72,037	991,309
Other expenses				
Insurance - general	300,000	161,981	(138,019)	189,558
Loss on sale of capital assets	-	1,121,812	1,121,812	-
Depreciation and amortization	1,204,000	1,430,894	226,894	1,528,204
City fee	1,150,000	1,158,373	8,373	1,156,695
Interest expense	22,650	15,500	(7,150)	29,808
Total other expenses	2,676,650	3,888,560	1,211,910	2,904,265
Special item expense				
Plant decommissioning	1,500,000	1,029,416	(470,584)	189,558
Total expenses	23,408,100	24,522,026	1,113,926	21,672,616
Net income (loss)	\$ 858,750	\$ 624,132	\$ (234,618)	\$ 1,725,122